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Discussion

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DISCUSSION

DR. HEUSER: I shall try to respond to Mr. Clough's questions. First, as far as the problem of travel is concerned, there is no problem at all for private persons. Germans get letters of introduction at private ROC agencies such as Far Eastern Trade Center and use the letters to get visas at Taipei airport. With respect to Taiwanese-Chinese travelling to Germany, they, through travel agencies in Taiwan, get their visa at the German Consulate-General in Hong Kong. As far as official travel is concerned, I can only say that official travelers do not travel officially, neither from Germany to Taiwan nor vice-versa.

As to trade fairs, there was one trade fair held in 1969, and none since, perhaps for political reasons.

I found it very interesting to deal with the question of comparison of trade. In order to understand economic relations, you have to make a comparison with those countries which are economically similar in their structure, for example, Korea and Taiwan. For example, German trade with Korea is very similar in structure and in quantity to Taiwan. But we are realizing that investors seem now to prefer Taiwan. German investments in Korea are still a little bit more than in Taiwan, but this seems to be changing and Taiwan is getting more interesting to German

investments in spite of the fact that Taiwan's labor costs are higher than in other countries in Asia or Indonesia. But German investors have appreciated very much the development in Taiwan.

As far as France is concerned, France has, as far as I know, no approved investment at all in Taiwan. Trade between France and Taiwan is also limited. After 1964, when France established diplomatic relations with the PRC the trade relations did not increase at all. On the other hand, at the same time West German trade increased with ROC. Summarizing, the status of diplomatic relations between European countries and Taiwan does not affect the quantity of trade with Taiwan.

DR. SIGUR: Thank you. We'll be entertaining questions and comments from the floor. Are there any questions?

MR. LITTELL: I would like to ask you [apparently referring to Chairperson Dr. Sigur] certain questions.

Do you not think that we should take a position clarifying relations with Taiwan by eliminating all reference to it in the Shanghai Communique of 1972, which has virtually the effect of a treaty as it is being treated from administration to administration?

Secondly, not one word has been said in this conference about the danger of the excessive importation of opium, heroin, and derivative undermining products of which the PRC is the principal producer in the world. Not Turkey as one would suppose, but the PRC, over 65 percent. I did not touch upon this subject in my paper because it was not germane to the subject of private enterprise and investment, but it hurt my conscience. I think we should be alerted to that frightening problem.

DR. SIGUR: I suppose as Chairman I might step out of that position for a minute and respond, though I would like the thoughts of members of the panel also. It seems to me that a clarification of our relationship with the ROC and the PRC could be beneficial, I think, if done properly. The problem, of course, comes from the confusion within the American government itself on this issue. The President, after all, has taken the position in the campaign in which he referred to the determination to maintain the independence and freedom of Taiwan. That is the statement that he used in his foreign policy debate with then-President Ford. I don't think that he has officially ever retreated from that position. He has, I think, in the past couple of months made references on one or two occasions to the People's Republic perhaps, but he has simply never retreated from that. In the

Congress of the United States, the House of Representatives passed a resolution in support of the continuation of American guarantees to Taiwan. This has never been repudiated. It's my feeling that if it were put to the House of Representatives for a resolution again on that issue, it would once again be strongly supported. I think all developments, as of now, indicate the strength that our government has, if it has the will and determination, to stand by our commitments to the Republic of China in Taiwan. I think that's the crux of the matter. When we negotiate with Peking, perhaps we are doing so now, on the question of diplomatic recognition or whatever we want to call it, the normalization process, I think that the American position, as you say, should be a tough one, a strong one: this is where we stand. If we intend to take a normalization position, it must be within the framework of the American commitment to an ally, in our interests in terms of our broad security and political and economic interests totally to retain the closest possible ties. I look at it, of course, from many sides in terms of our relations with the Soviets, with the PRC in Southeast Asia. When you get down to it and look at the complexity of all this, it would be destabilizing for the United States to retreat from its firm commitment to Taiwan. Whether the President has to come out fully and restate this again, whether it would be advisable for him to do so, is something I hope the other people on this panel might have comments about. Mr. Morell, can you speak on that issue?

MR. MORELL: This is more a political issue than I promised to speak of, but I certainly agree with you that the President has taken the position as you describe it. If he were to go further than that, he would be obliged to go into formalities and details which I presume he is not prepared to do at this time. I yield to Ralph Clough on this.

DR. SIGUR: Ralph, could you comment on that?

MR. CLOUGH: Well, I think the problem is pretty clear. The President on the one hand has said that he intends to pursue the process of normalizing relations with the PRC and on the other hand he has spoken of Taiwan; "independence and freedom" were the two words he used. Since then Secretary of State Vance has said that he regards the security of Taiwan as essential to the United States. So I think the problem is how to reconcile these two somewhat contradictory statements. This requires a lot of study.

DR. SIGUR: Anyone else have any comments?

DR. WU: I have some comments on some other points.

DR. SIGUR: On this particular point. What about the issue which was also raised about the drug trade? Anyone have any comments on it?

MR. MORELL: I cannot speak to this as a member of the government, and I cannot speak with authority; perhaps Ralph can. I know it's not a popular thing to say, but I have never seen a report in the U.S. government that would support the proposition that there is a substantial flow of opium from the PRC.

DR. SIGUR: Do you know, Ralph?

MR. CLOUGH: My understanding is that most of the production comes from the so-called "golden triangle," Laos, Thailand, and southern Burma. How much comes from there is anybody's guess.

DR. KING-YUH CHANG: I would like to make two comments. First, I think that it is very difficult for citizens of the Republic of China to travel very freely in countries without formal diplomatic relations. For instance, in the case of going to a country without diplomatic relations with the ROC to attend an academic meeting. It would take months to get a visa because there is no official representative from those countries in Taiwan and you have to apply via other nations. It's very time consuming to get visas, and in this period of rapid change obviously our merchants who need to take care of their business very fast cannot do so because of the inconvenience of getting visas.

Secondly, I would like to comment on Mr. Linstrom's comment about the nuclear treaty and future security arrangements with the United States. I think that I myself consider the treaty and security arrangements with the United States to be a most vital issue in the ROC. We will not develop nuclear weapons. We need nuclear power but not nuclear weapons. We do not want that kind of freedom to develop nuclear weapons. Also in this, if countries need that kind of freedom, then obviously Japan, the United Kingdom, or Germany knows that with that kind of freedom it can abandon its treaty commitments with the United States.

MR. LINSTROM: The comment I would make I am inclined to express in terms of real politics and that is something that we in the United States on occasion tend not to do. I would stand by the point that sometimes, I am not advocating the abrogation of the treaty with the ROC or taking a position on it, just pointing out that sometimes treaties like this tend to create a dependence relationship that is not particularly healthy for the independence and strength, strong development, of one of the countries. And I

think that a careful examination of the relationships in the past twenty years in certain key areas, areas that I think of vital importance to the Republic of China, its independence and its stature in the world, may indeed have been hampered by this treaty and the way it has been utilized by the United States government to put pressure upon the government of the Republic of China.

DR. WEI: I want to talk about what Dr. Chang said. By the way, Dr. Chang is Chairman of the Diplomacy Department at National Chengchi University. You must see the consequences of your suggestions. We have seen a lot of creative ideas, we have no shortage of friends, friends to advance suggestions to get us out of this difficult situation. You mention our nuclear policy. Some of you have mentioned Russian intervention. You have mentioned about separation and independence. On all these matters after very close examination I see something very serious. A very important factor that I think we should keep in mind is that the ROC now and in the future is a normal political entity, normal in the sense that we conduct our business as a good member of the international community. We want to maintain our credibility and maintain ourself as a contributing member to the stability and peace in the world. That's a very important factor and that puts us in a position of no alternative: our survival is at stake. We cannot adopt any policy which will have more importance than that function, a function which changes all the rules of the game. We have not reached the point yet where we relinquish that function.

Let me come to a few more concrete comments. One reality is that many of us who are doing evaluations on the future of Taiwan are also involved in its future, such as the Export-Import Bank. You assess Taiwan's future, but what you *do* has got something to do with the future of Taiwan. The men whom we are dealing with have friends in Taiwan, some of them owners of large firms. They ask our opinion: Do you think I should move my factory to somewhere else? et cetera. You say, gosh, I don't know, we're trying to see Taiwan stabilize. He's the guy asking the question, what do you think of Taiwan? Should I move out? My opinion is that if you move out you hurt Taiwan's future. It's very simple. That large factory is itself determining in some way Taiwan's future, so I think this element should be kept in mind. Many of you U.S. scholars in important articles explaining Taiwan's future, good or bad, you yourself hold the function of injecting some variables into the thinking of people, which in turn will

decide in some way Taiwan's future development. In any case, prudence and some sympathy are important in this area.

As to the suggestion that maybe Taiwan's people should invest in the United States. That's an interesting proposition. However, again, this will be dependent on the confidence that we have in the future of Taiwan's prosperity and stability. If somehow people are still wondering about the future of Taiwan, then we have a very liberal policy toward them as merchants and entrepreneurs to invest in the U.S. If we allow a large number of factories and firms in Taiwan to move out to the U.S., what it would amount to is escape of very needed capital investment in Taiwan, where Taiwan is concerned. So all this is very important to feelings of confidence, of security, of continued existence as a normal state, a normal government. We are not honored, we do not feel comfortable, to be mentioned as "only people." The ROC is a member of the international community. We are a government controlling a territory. We do not want to be regarded as a people only. We do not want to be transformed from a normal state, a normal government, into only a non-state entity, and only to be identified as a people.

QUESTION [speaker unidentified]: This question is directed toward Professor Wu. Historically, the U.S. investment opportunities in a country and their investments in the U.S. have not included the nationals of the country in top level management and policy-making positions. Does the U.S. follow that same policy with respect to investment in Taiwan, and if it does, are there any moves in Taiwan to include the people of Taiwan in policy-making positions? Or do you think that isn't important? Will it have any bearing on future trade relations with the Taiwanese people?

DR. WU: I'd like to answer this question, but before I get there I'd like to take this opportunity to get off my chest a number of points, if you'll bear with me for a moment. I would like to point out, as I think Dr. Chang has already hinted, that the question is not whether one can or cannot carry on trade without diplomatic relations. Trade can be carried on with countries without diplomatic relations with Taiwan. But if you look at the future there are certain changing conditions, one of which is the need for Taiwan to continue to increase its trade in circumstances in which many existing markets are taking protectionist attitudes. This means that for Taiwan to continue to expand trade it would be necessary to diversify by commodity, to diversify by market, it would be necessary to be very quick on the beat, to respond

quickly to changing conditions and go to markets where possibilities appear at the first hint of information. That means you have to be very quick, you cannot delay, and you have to have access. It's not a question whether you eventually can get in somewhere, but whether you can get there *now*. This is the first point.

Secondly, with delay, with uncertainty, suppose you could go to a certain place and then get a visa at the airport. But suppose you arrive at the airport and can't get in, something has happened, then what? Does not this kind of uncertainty increase your risk and increase your accounts? With that effect you are defenseless in these tenuous conditions.

The second point I'd like to make is that just as we have on the political ground the difference between Japan's applying the Japan formula while the U.S. and the ROC are still maintaining normal diplomatic relations, there is a difference between that and the U.S. applying the Japan formula when there is no third party maintaining this kind of relations. We've got to think not in what has been called partial equilibrium terms, where you change one factor and everything else remaining constant, but we have to think of conditions where you change one factor and everything else changes. You no longer can apply this example.

A third thing I'd like to mention. There was some reference yesterday, I believe, to the fact that the ROC is now able to finance its own investments and therefore a question was raised as to whether foreign investment is still necessary. I'd like to make some points in that connection. The first is that foreign investments have, as I mentioned in the paper, performed the function of export markets. You have got to be able to sell in an increasingly larger number of markets. That you can produce is one thing, but you've got to be able to sell your product. The second point is that with large infrastructure investments, such as those of the ten major construction projects, there is still the need for financing on a larger scale. This is the kind of borrowing in connection with Eximbank and so on that we are talking about. And thirdly, I would say that for businessmen interested in the ROC in the future, one should explore perhaps more the possibility of foreign technology and ROC capital, that is, joint ventures under some kind of licensing arrangements. These will present greater possibilities for the future.

In that connection I come to the question that was raised earlier. I believe that U.S. practice in Asia has been different from Japanese practice in the past. That is, American firms tend to

give more opportunities to local nationals at a higher level, and there are greater opportunities for advancement. Mr. Morell can correct me, but I don't think there is an exception to this rule in the case of Taiwan.

Finally, let me just speak on the point raised by Mr. Clough on the prospects of PRC trade with the United States. In some studies that my colleagues and I have done in the past based on the records up to 1970 or so, we came to the conclusion that aside from price changes, the long-term trend in the growth of PRC exports (to the U.S.) was probably in the neighborhood of two to three hundred million dollars a year, and that this kind of export growth would never get very far unless Peking can develop new exports. And this was when people became excited when Peking began to export oil, but the prospects of Peking oil are somewhat more doubtful than once estimated. In particular, some recent events have created new problems at least for the next few years, one of which was the sharp setback suffered by the coal industry from the earthquake. As you know, the earthquake of July 1976 destroyed the Tanshan coal mines. These mines had a production in the neighborhood of 20 million tons a year, which roughly is equivalent to 10 million tons of crude oil, which is all that the PRC has been able to offer in export.

DR. SIGUR: Thank you. I think we're getting past our hour here, and I did promise to allow Mr. Chao of the Chinese Embassy to correct something that he said.

MR. CHAO: This concerns a statement that I made concerning the Republic of China's membership in GATT. Actually the ROC has never been a member, but has participated in GATT meetings as observer.*

DR. SIGUR closed the meeting with appreciation to Dr. Chiu, Mr. Simon, and their colleagues.

Reported by Joyce Seunarine

* Editors' Note: The ROC provisionally applied to the GATT on May 21, 1948, but notified the Secretary-General of the United Nations of the cessation of that application on March 6, 1950. *Multilateral Treaties in respect of which the Secretary-General Performs Depositary Functions* (List of Signatures, Ratifications, Accessions, etc. as of 31 December 1975) (U.N. Doc. St/Leg/Ser. D19), at 237. See discussion of Session II, *supra* at p. 121.